Doing Business in Poland
(Socio-Cultural Aspects)

Krzysztof Wach, PhD
Cracow University of Economics
Faculty of Economics and International Relations
Department of Entrepreneurship and Innovation

Outline of the Lecture

1. investment climate
2. cultural dimensions
3. Poland and classifications of cultures
4. historical influence
5. useful tips

appendix 1: business legal forms
appendix 2: starting up procedures

Part 1

Investment Climate in Poland

Poland - Economic facts

Area: 312 000 sq km – 6th in the EU (68th)
Population: 38.12 million – 6th in the EU (34th)
Currency: Polish Zloty, PLN
(EUR 1 ~ PLN 3.90, USD 1 ~ PLN 2.85)
GDP per capita: ca. 18 000 USD
GDP growth: 6.7% (2007)
5.0% (2008)
1.7% (2009)
2.6% (2010 - EC forecast, Feb 2010)

Largest Cities of Poland:
- Warszawa (Warsaw) 1.7 mln inhabitants
- Kraków (Cracow) 0.75 mln inhabitants
- Łódź 0.74 mln inhabitants
- Wrocław (Breslau) 0.63 mln inhabitants
- Poznań (Posen) 0.55 mln inhabitants
- Gdańsk (Danzig) 0.45 mln inhabitants

Strategic location between West and East

- located in the heart of continental Europe
- the part of the single market of 500 million
- the springboard to the East
- population of 250 million within a 1000 km radius
- competitive cost base offers significant location benefits

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Polish Membership in International Organizations
Stable Political Environment and Fast Economic Growth

![Graph of GDP growth](source: International Monetary Fund, World Economic Outlook Database, 2007)

Since EU accession unemployment declined from over 20% to less than 10%

![Graph of unemployment rate](source: Central Statistical Office, 2008)

Labor cost in Poland and OECD countries (PPP adjusted, in thousands USD)

![Graph of labor cost](source: OECD, 2006)

Poland offers 20 million entrepreneurial and multilingual young people

- 87% of students can communicate in a foreign language
- 90% of the population is less than 35 years old, 35% under 25
- a nationwide network of 448 universities and polytechnics

Number of students in selected countries in 2006/2007 (in thou.)

<table>
<thead>
<tr>
<th>Country</th>
<th>Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>263</td>
</tr>
<tr>
<td>Germany</td>
<td>226</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>226</td>
</tr>
<tr>
<td>United States</td>
<td>221</td>
</tr>
<tr>
<td>France</td>
<td>218</td>
</tr>
<tr>
<td>Japan</td>
<td>212</td>
</tr>
<tr>
<td>Mexico</td>
<td>200</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>187</td>
</tr>
<tr>
<td>United States</td>
<td>186</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>185</td>
</tr>
<tr>
<td>France</td>
<td>180</td>
</tr>
</tbody>
</table>

Source: OECD, Eurostat

Quality of Polish Employees

- Comments by one of my UK clients regarding the quality of Polish applicants:
  - "I am increasingly amazed at the quality of applicants we are getting to this advertisement. We have never had such a high quality, well-educated response from the UK."
  - "Another really highly qualified candidate. Why can we never find this quality of employees in the UK?"

Nigel Adams & Company Ltd

Taxation

Income tax

- standard: 22%
- reduced: 7%, 3%
- export: 0%

VAT

- standard: 22%
- reduced: 7%, 3%
- export: 0%
Where in the EU is there the highest corporation tax (2009)?

- Austria: 25%
- Netherlands: 25.5%
- Finland: 26%
- Portugal*: 26.5%
- Italy: 27.5%
- Sweden: 28%
- Germany*: 29.8%
- UK: 30%
- Spain: 30%
- Luxembourg*: 30.38%
- France: 33.33%
- Belgium: 33.99%
- Malta: 35%

Austria, Netherlands, Finland, Portugal*, Italy, Sweden, Germany*, UK, Spain, Luxembourg*, France, Belgium, Malta.

Investment incentives available to investors in Poland

CIT Exemption

- A special economic zone (SEZ) is a designated area in which manufacturing or distribution activities can be conducted on preferential terms (total of 20,000 hectares)
- The purpose of SEZs is to support regional development
- SEZ operate until 2020
- Permits to conduct activities in SEZ are issued by the authorities of each SEZ

Benefits from obtaining a permit to conduct activities in SEZs

- Eligibility for income tax exemption – a form of regional aid
- Plot of land prepared for an investment project, available at a competitive price
- Free assistance in dealing with formalities relating to investment project
- Exemption from real estate tax
- Grants for employee training programmes
- Grants for the creation of new jobs

Most attractive locations for future investments (Survey 2008)

- Poland: 18%
- Germany: 16%
- Russia: 12%
- France: 11%
- Romania: 10%
- Hungary: 9%
- UK: 9%
- Spain: 8%
- Bulgaria: 8%
- Italy: 7%
- Czech Republic: 7%

Source: Ernst&Young, 2008

In 2007, the annual inflow of FDI was EUR 12.8 billion

<table>
<thead>
<tr>
<th>Country</th>
<th>Value (EUR)</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gdansk</td>
<td>4.2 mn USD</td>
<td>350</td>
</tr>
<tr>
<td>Poznan</td>
<td>8.3 mn USD</td>
<td>1,400</td>
</tr>
<tr>
<td>Wroclaw</td>
<td>1.4 mn USD</td>
<td>30</td>
</tr>
<tr>
<td>Lodz</td>
<td>4.8 mn USD</td>
<td>270</td>
</tr>
<tr>
<td>Warsaw</td>
<td>303.6 mn USD</td>
<td>2,000</td>
</tr>
<tr>
<td>Krakow</td>
<td>27.6 mn USD</td>
<td>800</td>
</tr>
</tbody>
</table>

Majority of FDI in Poland is coming from EU countries. The Netherlands is the largest foreign investor in Poland. On the next places are: Germany, France, Luxembourg and the USA. Manufacturing is the most popular sector among all foreign companies operating in Poland but services – especially those based on knowledge - are growing very fast.

In 2000, the annual inflow of FDI was EUR 1.38 billion.

- 1 EUR = 1.38 USD
Aviation

BPO

R & D

What companies have invested so far?

What companies have invested so far?

Part 2

Cultural Dimension of Doing Business in Poland

- hospitable, friendly for foreigners
- status, seniority and title important
- initially rather formal (Mr. Kowalski – not Jan)
- The Poles are known for their flexibility!!!
- united in bad times, divided in good times
- English is a second language for under 40’s
- Young are very keen to succeed
- Well educated and technically very skilled
- Tough negotiators: right of final say

Sociolazing in Poland

- accept ‘Polish’ invitations
- offer/accept a present (depends on circumstances)
- can exchange personal information
- accept physical contact
- Poles are relaxed about time, but not necessary unpunctual

Religion

- independence but like national religion
- right wing parties
- left wing parties (post-communistic)
- faith / religion has always been a source of identity and power
- ca. 90-95% are Roman Catholic
- This doesn’t mean they all go to church
- Don’t make jokes about the Pope
Views and Values (1)
- Poles are romantic idealists and believe they are imbued with many virtues.
- Honour ("doing what is right") and revenge are still living concepts in Polish minds.
  - often compared with Spaniards and the Irish
  - Great sense of humour but not on their expense.
- Respectful attitude towards women (old fashioned gentlemen, hands kissing)
- "They are not afraid to confront and don’t hesitate to speak their mind even to strangers, no matter the consequences"

Views and Values (2)
- The family is the basic unit of Polish life!
- Two-sided personality:
  - A fierce crusader in public, reserved, grim and formal
  - A soft touch at home and in private showing great warmth and hospitality
- "The Polish communication style is mysterious. They can ring all the changes between a matter-of-fact pragmatic style and a wordy, sentimental, romantic approach to a given subject."

Classifications of Cultures and Poland
- high context
  - Asian (Japanese, Chinese)
  - Arabs
  - Hispanics
  - Greeks, Spaniards, Italian, French
  - Brits
  - Australians
  - Americans
  - Poles
  - Scandinavians (Danish, Swedish, Finns)
  - Austrians
  - Germans
  - Swiss
- low context

Hall’s Context of Cultures
- high context
- low context

Gesteland’s Cross-Cultural Business Behaviour
- relationship-focused ↔ deal-focused
  - formal ↔ informal
  - polychronic ↔ monochronic
  - reserved ↔ expressive

Source: Copeland & Griggs (1985, p. 107)
### Historical Influence on Doing Business in Poland

be familiar with Polish history
(Norman Davies, UK)

### Poland Balancing Through Centuries

- Poland has been always balancing between **Russia** and **Germany** through centuries (geopolitics).
- The Western countries (especially USA, UK) can’t understand Polish attitudes to Germany and Russia).
- Germany is a country, which can understand us the best and did a lot for bilateral relations.
- Russia is the opposite …. (2010 change?)

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**Part 4**
History – Part 1

- ca. 870 – 930 - Polish tribes unification
- The historically recorded Polish state begins with the rule of Mieszko I in the second half of the 10th century (baptism of Poland in 966).
- In 1386 the Polish-Lithuanian Commonwealth encompassed (except for Poland) Lithuania, Latvia, Ukraine, Belarus and large parts of Russia.
- In 1683 Polish armies were called upon to break Turkish Siege of Vienna (to save Europe).
- Polish came close to perishing several times.

History – Part 2

- The partition of Poland
  - 1772, 1793, 1795
  - Russian Empire, Kingdom of Prussia, Habsburg Austria
- The independence after 123 years only for 2 decades.
- 1939 – 1945 WW II
  - 1 September, 17 September (4th Partition)
- 1945: Western Betrayal
  - the „Big Three” at Yalta Conference

History – Part 3

- 1945 – 1989 Communism
  - weaker and weaker economy:
    - in 70s – loans from Paris Club
    - in 2009 Poland paid whole 70s governmental debt
  - protests:
    - Martial Law 1981-1983
- 1989 The Polish Round Table Talks
  - First Country to Abolish Communism (national pride)
- 1989 economic transformation
  - 1989 First Free Parliamentary Election
  - 1981(Polish-foreign joint ventures)
  - 1988 (business freedom)
  - Balcerowicz’s Plan
  - 990 First Free Presidential Election

Index of Initial Conditions

Source: (EBRD, 2002)
Conclusions, Implications and Recommendations

Doing Business with the Poles

- Design products for Poland and use a Polish advertising agency.
- Do your homework. Poles are often shrewd negotiators.
- Be prepared to provide data. People are not impressed by "sales talk".
- Be prepared to make a long-term commitment. Be willing to "give something back" to the community.
- Local governments have a large role in business regulation. Some areas are more conducive to business than others.

Doing Business in Poland

USEFUL TIPS (1)

- Don't be afraid to ask questions about things that you don't understand.
- It's okay to ask sensitive questions, but be polite.
- If a question is important, keep asking until you get an answer. You may have to ask the question differently.
- Polish „NIE“ is not firm „NO“, but more „maybe“ or „perhaps“ (depends on the intonation).

USEFUL TIPS (2)

- Take time to build relationships and gain trust.
- Avoid referring to the Poles as Eastern Europeans!!!
- When dealing with older Poles, use professional titles (example: engineer), and do not call people by their first names until you are invited to do so.
- Be patient. Establishing a business will take longer than it would in the U.S. or the UK

USEFUL TIPS (3)

- The Poles are willing risk takers and cannot be intimidated by rules and regulations too easily – rules breakers (WWII, communism, at present).
- The secret to diplomatic success is warmth and responsiveness as human dimension is the most important aspect.

Any Questions?

Any question is more than welcome!
Thank you for your attention …

Dr. Krzysztof Wach
Cracow University of Economics
Faculty of Economics and International Relations
Department of Entrepreneurship and Innovation
ul. Rakowicka 27, 31-510 Kraków, Poland
tel. +48 12 29 35 327, fax +48 12 29 35 042
e-mail: wachk@uek.krakow.pl

Types of Business Units in Poland

- **private partnerships**
  - **professionals partnership**
  - **limited partnership**
  - **Limited Liability Partnership**
  - **Limited Joint-Stock Partnership**

- **private companies**
  - **Limited Liability Company**
  - **Joint-Stock Company**

Types of Business Units in Poland

- **partnerships**
  - **General Partnership**
  - **Professional Partnership**
  - **Limited Partnership**
  - **Limited Joint-Stock Partnership**

- **companies**
  - **Limited Liability Company**
  - **Joint-Stock Company**

Legal Entities

- **private partnerships include:**
  - **professionals partnership**
  - **limited partnership**
  - **Limited Liability Partnership**
  - **Limited Joint-Stock Partnership**

- **private companies include:**
  - **Limited Liability Company**
  - **Joint-Stock Company**
Part 6 (Appendix 2)

Starting a Business

One-Man Business Registration

1. Municipality: Economic Activity Register
2. Inland Revenue: VAT + Taxation Form
3. Social Insurance Institution: SCs
4. Bank account
5. Seal
6. National Labour Inspectorate (PIP)
7. State Sanitary and Epidemiological Station (SANEPID)
8. Permissions – if applicable?

Companies Registration

1. Notary: deeds, articles
2. Bank account
3. Court: Business Register
4. National Court Gazette: Announcement
5. Inland Revenue: VAT
6. Seal
7. Social Insurance Institution: SCs
8. National Labour Inspectorate (PIP)
9. State Sanitary and Epidemiological Station (SANEPID)
10. Permissions – if applicable?
Business Activities in Poland

- Free
- Regulated
- Concessions
- Licences
- Permissions
- Professional qualifications

Doing Business in Poland World Bank Ranking 2010

Starting a Business 2010 Standard Limited Company

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